

FRAUD ALERT

Educating South Carolina's Consumers

A Publication of the South Carolina Task Force on Fraud



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Home equity loans could leave you homeless

Home equity scams aim to take your money and your home!

Unscrupulous lenders offer high-cost loans based on equity you have in your home. These lenders target homeowners who are elderly, have low incomes, credit problems, or may not be fiscally savvy and lure them into accepting loans that they cannot handle. These loans strip the built-in equity the homeowner has in their property, causing them to lose money or even their home.

The South Carolina Department of Consumer Affairs encourages consumers to be on the look out for the following home equity scams:

Equity Stripping – The lender gives you a loan based on the equity in your home, not on your ability to repay based on your income. What the lender really wants is your home and if you're unable to make the payments they will get it.

Loan Flipping – The lender encourages you to repeatedly refinance the loan and often to borrow money again. Each time you refinance you pay additional fees and interest points, costing you money without benefit. This only increases your debt.

South Carolina law bans "flipping" within 42 months of an existing loan unless it provides the borrower a tangible benefit.

Credit Insurance Packing – The

The consequences of mortgage fraud

Mortgage fraud has real results for those who attempt to cheat the system.

U.S. Attorney Reginald Lloyd announced the 41-month federal prison sentencing of Alex Newton for conspiracy to commit mail fraud associated with a mortgage loan.

Newton, 35, of Greenville, SC, along with a network of conspirators, were able to defraud lenders of more than \$1,000,000 in loans. Between May 2002 and March 2004, Newton closed a series of residential loans that were intended for the purchase of single-family owner-occupied homes. Newton,

however, was immediately reselling these homes to co-conspirators, who in turn resold the houses at inflated prices based on fraudulent appraisals. He now admits to knowing the borrowers were not buying the properties as a primary residence, a condition the original loan was based on.

Lenders weren't the only victims in this scam. The loans that were secured fraudulently were meant for honest consumers who could have used them to secure homes. In this scam, it appears everyone loss.

lender adds credit insurance to your loan, which you may not always need. If you're interested in insurance you should shop around before agreeing to any fees, often a better deal can be found elsewhere.

In South Carolina financing prepaid, single premium life, disability, or unemployment insurance is prohibited in all home loans. Only credit insurance paid on a monthly basis is permitted.

Bait and Switch – The lender offers one set of loan terms when you apply, but pressures you to accept higher charges when you sign so that you can complete the transaction.

Deceptive Loan Servicing - The lender

doesn't provide you with accurate or complete account statements and payoff figures, making it nearly impossible for you to determine how much you have paid or how much you owe. This is often used to charge you more than you owe. Some of these practices violate federal credit laws and if you feel you have been the victim of one of these fraudulent practices you should consult an attorney.

If you're thinking about using your home as collateral for a loan, be very careful. Unless you can make the loan payments out of your current income, you could lose your home, as well as the equity you've

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To submit an article for the *Fraud Alert*, please contact Charles Ellison at the South Carolina Department of Consumer Affairs at 803-734-4203 or via email at Ellison@dca.state.sc.us.



Credit card telephone scam making the rounds in SC!

A new credit card scam is making the rounds, and consumers need to be particularly careful since it plays on consumer fear of credit card theft.

The scam starts with a telephone call informing you that a recent purchase on your card has been flagged as being suspicious. The item, sometimes identified as an Anti-Telemarketing Device, is usually said to be a \$497.99 charge. The caller identifies himself as working in the Security and Fraud department for a major credit card company, usually Visa or Mastercard, and tells you that they've had problems with this company before and a fraud investigation will be started. The caller will typically confirm your address and assures you the charges will be credited to your account.

Here's the catch, the caller will then ask you to give him the three security numbers on the back of the card, so that he can confirm you are still in possession of the card. After you have done so the caller will assure you that everything is being taken care of and that if you have any other questions to call back.

Unfortunately you have just been

scammed.

The caller already has your credit card number and only needs the three security numbers on the back of the card to begin making unauthorized charges to your card on the Internet. Often these charges begin within minutes of your telephone conversation.

Consumers should always consider the following advice if they receive a call similar to this:

- The real credit card fraud and security officials warn that they will never ask for your credit card numbers or security numbers over the phone or e-mail. They already have your numbers since they issued the card and any credit card fraud would result in the card's cancellation, nullifying the need to "verify" whether or not you have the card in your possession.
- If you receive a call similar to this and are concerned it may be real, tell the caller you will call Visa or Mastercard directly for verification. Be sure to use the telephone numbers provided on the back of your card or monthly statement and not any numbers the caller may give you.

Chat room hackers look to swap your information for cash

Internet chat rooms have become a swap-exchange for hackers looking to swap personal identification information they have stolen from consumers.

Any day of the week you can find hackers in private chat rooms, often protected by passwords and special software, offering "full" identity information for as little as \$1 to \$5. A "full" identity means a person's Social Security number, home telephone number, e-mail account and password, debit card PINs, credit card numbers and mother's maiden name. All of which is enough information for identity thieves to swindle victims for years.

According to a recent survey, identity theft costs the U.S. economy \$56.6 billion last year, with four percent of Americans falling victim every year.

What can you do to prevent becoming a victim of online identity theft? The following are just a few suggestions to help you protect yourself.

- Place passwords on your credit card, bank, and telephone accounts. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your SSN or your telephone number, or a series of consecutive numbers.
- Don't give out personal information on the telephone, through the mail, or on the Internet unless you've initiated the contact or are sure you know who you're dealing with.
- Deposit your outgoing mail in post office collection boxes or at your local post office, rather than in an unsecured mailbox.
- Promptly remove mail from your mailbox.
- Tear or shred your charge receipts, copies of credit applications, insurance forms, physician statements, checks and bank statements, expired charge cards that you're discarding, and credit offers you get in the mail.
- Don't carry your SSN card.

"Home Equity Loans..." Continued from front

already built up.

Before taking out a home equity loan consider the following:

- The lure of extra money or the chance to reduce monthly credit payments can be very costly in the long run. High interest rates and other credit costs could get you in over your head.
- Don't sign a loan agreement if the terms are not what you were given when you applied.
- Ask for an explanation of any dol-

lar amount, term, or condition that you don't understand. Federal law is very clear about what credit and loan term information must be provided in writing when you apply for a loan and before you sign any agreement.

In addition, shop around for the best loan terms and interest rates. Contact lending institutions, such as banks and credit unions, and consult a legal or financial advisor, or someone you can trust before you make any loan decisions.

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